EXHIBIT 5

FY 2020 Q4 Earnings Release Conference Call Transcript
June 25, 2020

PRESENTATION

Operator:

Good afternoon, everyone. Welcome to NIKE, Inc.'s fiscal 2020 fourth quarter conference call. For those who want to reference today's press release you'll find it at http://investors.nike.com.

Leading today's call is Andy Muir, VP, Investor Relations. Before I turn the call over to Ms. Muir, let me remind you that participants on this call will make forward-looking statements based on current expectations and those statements are subject to certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties are detailed in the reports filed with the SEC including the annual report filed on Form 10-K.

Some forward-looking statements may concern expectations of future revenue growth or gross margin. In addition, participants may discuss non-GAAP financial measures, including references to constant-dollar revenue. References to constant-dollar revenue are intended to provide context as to the performance of the business eliminating foreign exchange fluctuations. Participants may also make references to other non-public financial and statistical information and non-GAAP financial measures.

To the extent non-public financial and statistical information is discussed, presentations of comparable GAAP measures and quantitative reconciliations will be made available at NIKE's website, http://investors.nike.com.

Now I would like to turn the call over to Andy Muir, VP, Investor Relations.

Andy Muir, Vice President, Investor Relations:

Thank you, operator. Hello, everyone, and thank you for joining us today to discuss NIKE, Inc.'s fiscal 2020 fourth quarter and full year results. As the operator indicated, participants on today's call may discuss non-GAAP financial measures. You will find the appropriate reconciliations in our press release, which was issued about an hour ago, or at our website, investors.nike.com.

Joining us on today's call will be NIKE, Inc. President and CEO, John Donahoe; and Chief Financial Officer, Matt Friend. Following their prepared remarks, we will take your questions. We would like to allow as many of you to ask questions as possible in our allotted time. So, we would appreciate you limiting your initial questions to one. In the event you have additional questions that are not covered by others, please feel free to re-queue and we will do our best to come back to you. Thanks for your cooperation on this.

I will now turn the call over to NIKE, Inc. President and CEO, John Donahoe.

John Donahoe, Chief Executive Officer and President, NIKE, Inc.:

Thank you, Andy and let me congratulate you on your new role leading Investor Relations. I also want to congratulate Matt on becoming our CFO and express how deeply confident I am in NIKE's financial management under Matt's leadership.

Before I get into our Q4 performance, I want to take a moment to acknowledge the environment in the US right now. Over the past month, we've seen racial tragedies expose systemic prejudice and injustice in America, and

NIKE has a long history of standing up against inequality driven by our values and rooted in the power of sport.

Today, we are uniting behind our black athletes, teammates and community as NIKE continues to lead with purpose, and we're taking action to help create lasting change to address systemic racism in our society, including a combined $140 million commitment from NIKE, Converse, the Jordan Brand, and Michael Jordan. And while we continue to lead externally, we also strive to be even better internally, to meet the high bar we set for ourselves to be a truly diverse and inclusive company.

We're also continuing to deal with the COVID-19 pandemic, which has had a profound impact on the lives of so many across the globe. And throughout all of this, we have led with our values. We have executed with empathy and decisiveness. We prioritized the health and safety of our teammates by closing stores, offices and other facilities. We committed to provide pay continuity for all of our teammates, even while our facilities remain closed or had altered schedules, and we have maintained this important investment over the past 12 weeks.

Our innovation teams designed and delivered personal protective equipment to health systems across the country. We donated footwear and apparel to help frontline workers around the globe and we've committed more than $25 million for COVID-19 response in our communities. I must say that I've been so impressed and inspired by how our NIKE teammates around the world have come together and responded to this crisis. They have moved with speed and empathy and have demonstrated creativity, courage and true resilience. I could not be more proud of everyone on the NIKE team.

As we look back in this quarter, it demonstrated once again that NIKE's competitive advantage is driven by our team and by our brand's ability to connect with consumers, and this is fueled by our strategy, the Consumer Direct Offense, and it's why I continue to believe no one is better positioned than NIKE to navigate the current environment.

Now, Matt will go deeper on Q4 in a minute. So, I'll just hit on five quick observations from the quarter.

First, the power of NIKE's brand continues. Leading with are our values is drawing us closer to consumers. We used our ecosystem of NIKE Activity and Commerce Apps to directly engage with consumers in their homes as they focus on health and wellness. During this difficult time, NIKE has inspired and offered hope and as a result, worldwide affinity for our brand deepened during COVID-19 with our You Can't Stop Us campaign receiving more than 2 billion impressions to-date. Across all 12 of our key cities, NIKE remains consumers’ number one favorite brand.

Second, Greater China has returned to currency-neutral growth. Over the quarter we've strengthened our consumer connections and translated them into meaningful relationships. For example, in March and April, China's monthly active users on the NIKE Training App increased over 350% since the beginning of the calendar year. This direct engagement with consumers allowed our business in China to return to growth in Q4.

Third. We're seeing a true step-function change in our digital transformation. As you know, this has been an area of investment over the past few years as we've built our digital advantage, but COVID-19 has accelerated the pace. In Q4, NIKE Digital grew 79% and we surpassed $1 billion in annual digital revenue in both Greater China and EMEA for the first time. We've seen the strong digital momentum continue throughout the quarter and into early June, even as stores have begun to reopen. Looking at our app ecosystem in Q4, a couple of stats jump out as we see an extraordinary leap in digital demand and engagement. Workouts on the NIKE Training Club App more than tripled, peaking in April at nearly 5 million workouts per week during the month. Since February, the NIKE Commerce App has been downloaded more than 8 million times, an increase that's triple last year's level, proving the power of our investment in digital. And in fiscal year 20, SNKRS reached an impressive milestone reaching $1 billion in global demand for the first time.

Fourth observation on the quarter, the Jordan Brand resonated deeply in Q4 with the airing of ESPN's The Last Dance documentary. The response we saw from the cultural conversation around each episode to the rapid sell-through of the AJ5 Fire Red demonstrated the love for the Jordan brand all over the world.

In fact, the Jordan brand in Greater China grew more than 50% in fiscal year 20, approaching $1 billion in

annual revenue. And Women's has played a key role in Jordan's growth, and we see significant opportunity for Jordan to achieve even greater scale as we create more products for women, expand lifestyle offerings and grow the business internationally. And even during a pandemic, Jordan drove some of the quarter's biggest launches, including the AJ1 and AJ13, a reminder of the continued strength of our consumer demand.

Fifth, and finally, innovation continues to be NIKE's greatest competitive advantage. We continuously bring fresh, new product to market supported by compelling storytelling that helps drive consumer demand. In Q4, we saw strong demand for the Pegasus 37, particularly with women, and for the Air Max 2090, a new sportswear silhouette that reimagines the future of Air.

We also launched Space Hippie in our international geographies during June, with early success, offering even more proof of global consumer appetite for sustainable product. And our unmatched investment in product innovation even during a pandemic will be proven with our most sustainable product ever, the VaporMax 2020 launching in July.

As I said earlier, NIKE is in a position to emerge from the COVID-19 pandemic even stronger due to our Consumer Direct Offense. The global pandemic has made it clear that consumer behavior is changing rapidly, providing the opportunity for us to accelerate the pace of our transformation. Over the past few years we have shifted from a legacy wholesale distribution model to investment in a model that gives our consumers a more premium shopping experience, and this is a change that has catalyzed our digital growth as a part of our true Consumer Direct Offense, and COVID-19 has shown that our strategy is sound.

And so, as we look to the future, here is what is not going to change. Our purpose will continue to guide us. The power of sport will always be at our center, and product innovation will continue to drive distinction for our brand. With these strengths in mind, we plan to accelerate our focus and investment on the key areas that put an even sharper point on our highest-growth opportunities.

So today, we're announcing a new digitally empowered phase of our Consumer Direct strategy, the Consumer Direct Acceleration. We aren't settling for a current leadership position with consumers or in digital. We're pursuing even further separation. We're transforming NIKE faster to define the marketplace of the future. Now is the time to act.

Let me walk you through three areas of strategic acceleration: the marketplace of the future, our new consumer construct and our end-to-end technology foundation.

First, we will create a marketplace of the future, one more closely aligned with what consumers want and need. Digital has redefined the industry over the past several years and NIKE has led that change.

You recall that in fiscal year 18, we set a goal to reach 30% digital penetration, both owned and partnered, by fiscal year 23. We will reach that goal more than two years ahead of plan this coming year, and looking ahead, we now expect our overall business to reach 50% digital penetration.

As we look at opportunities to build deeper and more meaningful relationships with consumers, our vision is to create a clear and connected digital marketplace to match. Consumers want modern, seamless experiences, online-to-offline, so we're accelerating our approach. Our one Nike marketplace strategy leads with NIKE Digital in our own stores and embraces a small number of strategic partners who share our vision to provide a consistent premium shopping experience.

Connected data, inventory and membership will give consumers greater access to the best of NIKE with more speed and convenience than ever. We've talked about membership as a growth driver and differentiator before, but now we'll align our business to make it central to everything we do. And as a part of the strategy, we will also scale our investment in smaller format digitally enabled mono-brand stores with integrated online-to-offline capabilities. We believe this will be additive to what's in the market. These mono-brand stores will accelerate the growth trajectory of NIKE's largest market share opportunities like Women's and Apparel, driving long-term profitability.

Our second area of acceleration under Consumer Direct Acceleration, NIKE will operate under a new simpler consumer construct. We know that our consumers don't see themselves as only runners or yoga practitioners. They don't think in terms of performance versus sportswear. Instead we know how they shop across Men's, Women's and Kid's, and so we'll realign the company to reflect a simplified Men's, Women's and Kid's approach. Our category focus will be more specialized across this consumer construct.

Importantly, this consumer construct will allow us to significantly simplify our organization and focus more of our resources on the capabilities and opportunities that will forge our future. In particular, we'll be reinvesting in our Women's and Kid's businesses. These intentional organizational focuses will touch every area of our business, including innovation, product creation, marketing, merchandising and distribution.

Through this new consumer construct, we can serve performance sport with more specificity, while also broadening the definition of sport. This approach allows us to better focus on the individual consumer and unlock new opportunities to more nimbly serve their exact needs.

And third and finally, we will invest in digital capabilities in our end-to-end technology foundation to accelerate our transformation. Simply put, we will more aggressively leverage technology to make NIKE better. This single integrated technology strategy across our business will accelerate how we serve consumers. Specifically, we'll speed up and unify our investments across demand sensing, insight gathering, inventory management and more. This simplified approach will unlock more efficiency for the business, while driving speed and responsiveness as we serve consumers globally.

Consumer Direct Acceleration is more than just the next phase of our strategy. It's the spark that will ignite and empower our entire company to serve consumers, our business and our teams better. As we shift our operating model to fuel this strategy, NIKE's leadership position will become even stronger in the future as sport continues to resonate with consumers, amid a global shift toward health and wellness.

In the end, over the past few months, we have navigated unprecedented conditions, but our purposeful actions will allow us to emerge from it stronger and better than ever before. The strength of our brand, our deep connections to consumers and our unmatched product innovation give us an advantage to create and define our future. Fueled by the Consumer Direct Acceleration, NIKE will shape the marketplace and extend our brand leadership for years to come.

And with that, I'll now turn the call over to Matt.

Matt Friend, Executive Vice President & Chief Financial Officer:

Thank you, John, and hello to everyone on the call. I also want to take a moment to welcome Andy Muir to her first call as she expands her responsibilities and provides leadership over Investor Relations.

Before discussing our fourth quarter results, I must recognize and thank our incredible team around the world. I have personally been inspired to watch everyone come together to face our current challenges, embracing new ways of working and decisively taking actions to serve our consumers in the face of unprecedented conditions. I could not be prouder to be a part of this team.

This quarter was certainly like no other in NIKE's history. As John mentioned, to protect the safety of our employees and to help prevent the spread of COVID-19, 90% of our own stores outside of Greater China and South Korea were closed from operation for roughly eight weeks in the quarter. Similarly, our wholesale partners largely followed this same pattern and the sale of product through physical retail channels came to a halt.

Digital quickly became the primary channel that we could engage with and serve consumer demand, and NIKE was well-positioned to respond. We accelerated growth of our digital business to 79% on a currency-neutral basis and drove nearly triple-digit acceleration in member digital demand. All told, NIKE Digital represented nearly 30% of our total business in the fourth quarter and reached $5.5 billion for the full year.

The net result of these two marketplace dynamics was that NIKE, Inc. Q4 revenue declined 38% on a reported

basis, and yet, even in the midst of this global pandemic, we saw the power and distinction of the NIKE brand translate into growing business momentum throughout the quarter, continuing into June.

Greater China returned to growth in Q4, and NIKE Digital also accelerated growth each month in the quarter, including triple-digit growth globally in May, even as physical retail reopened. These trends have sustained through the first three weeks of June, and in some markets digital growth has accelerated even further. We believe this digital acceleration is more indicative of a strategic shift towards a new future marketplace, rather than being a reflection of temporary challenges to the mostly physical marketplace of the past.

Now, as we look ahead to fiscal year 21, three key themes stand out from a financial and operational perspective: NIKE's supply and demand management, NIKE's financial strength and NIKE's digital acceleration.
Let me take a few minutes to unpack each of these.

First, at the end of Q4, inventory increased 31% versus prior year. In mid-March, we immediately went into action to rebuild our plans to recalibrate marketplace supply and demand around the world. As we have said before, supply and demand management is critical to sustaining a healthy premium brand, and over the past three years we have enhanced our capabilities to manage through situations like this. Let me share a few specifics regarding what we have already done.

First, we modified our near-term inventory buying plans and proactively canceled pre-COVID-19 factory purchase orders for the fall and holiday seasons by roughly 30% on a unit basis, and while this had a negative impact on gross margins in Q4, it was the right decision to tighten future inventory movement through our supply chain and utilize the inventory we have on hand.

Second, we implemented a plan for a seasonless flow of inventory, by shifting product offer dates, so we can use relevant summer and fall product to meet near-term demand. We also edited product lines by up to 15% to improve SKU productivity.

Third, we quickly shifted available inventory to digital and we increased digital fulfillment capacity by more than three times in North America and EMEA. And finally, we've invested in targeted promotions and markdowns to accelerate the liquidation of excess inventory, while we protect the long-term health of our product franchises, including increasing the volume of liquidation through our factory store fleet.

In Greater China, this playbook has worked, and we expect our business will return to normalized marketplace health metrics by the end of June. In fact, we are already seeing inventory levels globally improve as well, and with our deliberate actions, we are confident that NIKE inventory will be right-sized and in a normal position in Q2.

This leads me to the second theme. NIKE's financial strength enables us to stay focused on the long-term, creating even greater competitive advantage in times of dislocation. In an environment where most companies are solely focused on survival, NIKE's financial strength, scale and adaptability allows us to make appropriate near-term decisions while investing to fuel long-term growth.

We finished the quarter with $12.5 billion in total available liquidity, including nearly $9 billion of cash and short-term investments, all supported by a strong investment-grade credit rating and a high-return on invested capital. We continue to operate from a position of strength, and I would not trade our position with anyone.

Our current focus is to reduce discretionary spending, while we invest in the digital capabilities necessary to further our competitive advantage in the marketplace. This includes improving the user experience on our digital platforms through enhanced digital commerce analytics, marketing technology for better consumer targeting and segmentation, online-to-offline marketplace capabilities and enhanced inventory pricing and supply management tools. We will continue to increase the scale and efficiency of our digital fulfillment capabilities.

In Q4, we already pivoted our new ADAPT distribution facility in North America to fully support digital demand and we plan to open a new regional service center on the west coast before the holiday season to forward-deploy digital inventory, leveraging advanced analytics and demand-sensing capabilities from our acquisition of Celect. Simply put, we have operating principles in place to prudently manage costs in the short-term, while we scale

investment in key capabilities underpinning our digital transformation. We will continue to do this while managing SG&A tightly in the first half of fiscal year 2021.

And last, a more digitally connected NIKE is a more valuable NIKE. The underlying value proposition of NIKE's Consumer Direct Offense is that the consumer adoption of digital across all aspects of life now provides NIKE with an opportunity to create deeper, more direct consumer relationships at-scale, without disintermediation. As we've said before, the transformation to a more digital and direct business is financially accretive to NIKE. Our business results over the last seven quarters pre-COVID-19 proved this point. As compared to our long-term financial model, NIKE has driven higher constant dollar revenue growth and roughly double the annual gross margin expansion on an operational basis, excluding the impacts of foreign exchange headwinds and tariffs.

The current economics of this transformational shift illustrates my point. On average, a sale of an incremental unit via digital generates double the revenue versus a sale to wholesale, with a higher gross margin, translating into two times the operating income dollars. And so, to reiterate what John said and why this is so important, we now see that our owned and partner digital could grow to 50% of our total business in the foreseeable future, plus our measured investment in mono-brand stores will further catalyze digital growth and create new distribution for our largest growth and market share opportunities in Women's and Apparel.

We are calling this next phase of the Consumer Direct Offense an acceleration for a reason, because it will drive greater growth, it will scale NIKE's direct consumer connections in our most profitable channels driving higher consumer lifetime value and it will enable us to reposition our resources to accelerate our transformation to a digital-first company.

Now, let's turn to the details of our fourth quarter financial results and operating segment performance. NIKE, Inc. Q4 revenue declined 38%, down 36% on a currency-neutral basis, reflecting the impact of NIKE-owned store closures and lower wholesale shipments partially offset by growth in NIKE Digital.

Gross margin decreased 820 basis points in Q4, as higher full-price average selling prices, despite increased wholesale discounts, were more than offset by higher product costs, including factory cancelation charges and increased inventory obsolescence reserves, as well as the adverse rate impact of supply chain fixed costs on lower wholesale shipments due to COVID-19 dynamics.

SG&A declined 6% in Q4. We reduced costs through clear enterprise-wide cost management principles, including reduction of marketing spending due to the cancelation of live sporting events and retail store closures. It's important to note that the decline in SG&A in the quarter included a roughly $180 million charge related to bad debt reserves.

Our Effective Tax Rate for the quarter was 1.7% compared to 20.4% for the same period last year, due to the mix of earnings taxed in the US. and favorability attributable to the use of foreign tax credits. Fourth quarter diluted net loss per share was $0.51, reflecting lower revenue and gross margin related to COVID-19, partially offset by lower SG&A expenses. And full year diluted EPS was $1.60, which includes a one-time non-cash charge associated with the anticipated strategic distributor partnership transition in South America which reduced EPS by $0.25.

With that, let's turn to our reported operating segments. Last quarter, we discussed how each of our markets would progress from a business perspective as they emerge from the COVID-19 outbreak. First, a recovery period, including the ramp up of store re-openings. Second, a period of normalization of supply and demand, and third, a period in which we return to growth.

In Q4, Greater China and South Korea returned to growth. North America, EMEA and the remainder of APLA are still in the recovery period as stores began to reopen throughout May and early June. In North America, Q4 revenue declined 46% on a currency-neutral basis. However, NIKE Digital grew 80% and the NIKE App grew triple-digits and now represents 30% of our North America digital business. Women's full-price apparel grew 200% and was powered by strong new member growth with women representing over half of new member acquisition in the quarter.

As retail began to reopen in mid-May, we saw strong double-digit growth in retail sales for our brand across the

total North America marketplace. These trends have continued into early June, including NIKE Digital growing triple digits. Physical retail traffic remains below prior year and is being offset by higher rates of conversion due to promotional activity, as well as significant shifts to owned and partner digital, and as of today, approximately 85% of NIKE-owned stores are open.

In EMEA, Q4 revenue declined 44% on a currency-neutral basis. Digital grew nearly 100% with continued brand momentum and significant new member acquisition and engagement across the NIKE Training Club and the NIKE Running Club Apps with active new member growth of over 200% and more than 18 million workouts logged in the quarter, and NIKE gained market share across both Footwear and Apparel, becoming the number one apparel brand during Q4 in key markets for the first time.

As retail began to reopen in May, we saw slight growth in total retail sales versus the prior year across the marketplace, with better performance in Germany, France and the UK, offset by slower recovery in Spain and Italy. Retail sales have now accelerated in June, including triple-digit NIKE Digital growth. Traffic levels, conversion trends and consumer shifts towards digital are similar to what we are seeing in North America, and as of today, approximately 90% of NIKE-owned stores are open.

With that, let's turn to Greater China, where we returned to growth of 1% on a currency-neutral basis and the sixth consecutive year of double-digit growth. Growth improved each month of the quarter, including strong double-digit growth in May on a currency-neutral basis.

Digital grew 53%, outpacing the industry, and the NIKE App which launched in Q3 is already resonating with consumers with nearly 11 million downloads, driving over 10% of total digital demand in the fourth quarter. As of today, 100% of NIKE-owned stores are open. In June, we have seen a return to positive comparable store sales in NIKE-owned stores with higher conversion and higher units per transaction more than offsetting lower traffic. NIKE Digital growth has accelerated to triple digits.

Finally, in our APLA geography, Q4 revenue declined 39% on a currency-neutral basis. We saw varied COVID-19 impact across countries in the region with South Korea emerging the fastest delivering 8% growth in the quarter and digital growth was nearly 80% led by strength in Japan, Korea and Brazil, with Women's growing two times the rate of Men's on NIKE Digital.

As of today, approximately 65% of NIKE-owned stores are open with a higher percentage in South Korea, Japan and Australia, while stores across Latin America remain largely closed due to efforts to contain the spread of COVID-19.

Fiscal year 21 will continue to be a time of uncertainty as economies rebound from the effects of COVID-19 and seek to contain further outbreaks of the disease. We will be agile and resilient, because we understand that each market recovery will not be linear. We remain focused on what we can control, so that NIKE can manage risk and aggressively attack opportunities created in this environment.

Given the uncertainty that still remains, we will not be providing specific guidance. Today, however, I will share the approach we are taking to fiscal year 21 planning. In general, we expect to see sequential quarterly improvement in our financial results as retail reopens and each market normalizes supply and demand.

We expect revenue in the first half of the year to be below prior year levels, but less of a decline than experienced in Q4, as we continue to reopen stores and fuel our digital business. We expect revenue in the second half to be up significantly versus the prior year with a healthy marketplace and normalizing full price sell-through across our channels.

For the full fiscal year, we expect revenue to be flat-to-up versus prior year, and of course, we will have greater clarity on our full year outlook 90 days from now.

Gross margin will continue in the short-term to be a function of our supply and demand management actions, as we prioritize the return to normalized inventory levels in Q2. As I said earlier, we have tightened our buys in the first half and are focused on moving through the inventory we have as profitably as we can. We expect SG&A to

decline versus the prior year.

The financial and operating principles that will carry us through these unprecedented times are the same ones that have guided us over the decades, and our brand momentum and deep consumer connections, our differentiated product and continuous flow of innovation, our digital advantage and our operational capabilities have never been stronger.

In addition, consumer interest in sport, fitness, health and wellness has never been greater, leaving NIKE's market opportunity larger than ever, and though we can't predict short-term trends due to the dynamic nature of this pandemic, interestingly enough, we can now see our brand’s long-term future even more clearly.

With that, we'll now open the call for questions.

QUESTION AND ANSWER SECTION

[Operator Instructions]

Operator: Our first question comes from Alexandra Walvis with Goldman Sachs. Your line is open.

<Q – Alexandra Walvis>: Good evening. Thanks so much for taking my question here and thank you for all the comments in the prepared remarks, very interesting on the longer term outlooks of the business. I wanted to dig a little bit more into the Consumer Direct Acceleration that, John, you laid out in your remarks there. Can you talk about the plan for new stores? Do you have any color on the number of new stores that you're planning to roll out? And can you talk about what is being planned for the wholesale business perhaps in terms of points of distribution or partners that you're targeting over time?

<A – John Donahoe>: Sure, Alexandra. In a funny way, I would characterize this investment in these new doors as continued investment in our digital future, and here's – we look at everything through the eyes of the consumer, and consumers, as you know, are becoming accustomed to getting what they want, when they want it, how they want it, right? And this pandemic has really demonstrated the shift toward digital being at the center of everything they do, but they want modern and seamless experiences. They don't necessarily just want to buy digitally, and have it shipped from home. You're seeing during the pandemic, and we believe it will continue, they want to buy it on their digital device and go pick it up in the store, or with soft goods like apparel they may want to reserve it online and try it on in the store. They may want to be in a store and buy something that's not in the store, because of inventory and the associate uses a digital device to buy it and gets shipped home.

And so, consumers increasingly want a consistent, seamless physical and digital experience, and so that's what we're committed to providing. And we're committed to providing those through, first and foremost, our own digital capabilities, as well as our own digital stores, both factory or I'm sorry, own physical stores, factory and direct. A very important piece of this is our strategic partners, our strategic wholesale partners. We envision having fewer of them but focusing on those that will share our vision of providing a seamless experience – a consistent seamless experience with physical points of presence.

And then we think there's an incremental opportunity in the market and a need to provide a mono-brand experience, particularly around Women's and Apparel. We have actually seen this firsthand in China. As you know in China, with a relatively modest investment, there are mono-brand stores that dramatically upscale how we serve consumers. I had a chance to see this firsthand during my first weeks at NIKE in China, which I long for to get back out on the road, get back out in the market, get back out with consumers. That's coming again, I know, but I got to see firsthand the power of those mono-brand stores, and so we'll be opening somewhere between 150 and 200 new stores, they will be small footprint, digitally enabled mono-brand stores in North America and EMEA.

We've been testing this format with NIKE Live and have a greater understanding of how to best deliver this experience. And so, we will proceed ahead this year with more test-and-learn examples of it and scale it through the next couple of years. And again, to be clear, we believe this is incremental to what's in the market today. It's complementary to what we're already doing, and our partners are doing, and at the end of the day, we believe that NIKE-owned physical and digital working hand-in-hand with our key partners online and offline, we can create one Nike marketplace that meets the demand of consumers now and in the future.

<A – Matt Friend>: And I might just jump in Alex and say that as John mentioned, we've been testing the NIKE Live concept. We started in Melrose in Southern California. We've opened a store in Long Beach and in Glendale. We've also been testing the concept in Shibuya in Tokyo. And in the first half of the year we intend to shift two NIKE-owned doors in New York with the live concept. And as we've continued to test the concept, we've been testing the assortment, we've been testing member engagement. We're seeing that as members engage more frequently it's serving to help us retain members and so as John mentioned, this is why we see this as being a catalyst to digital growth, having local stores that members can engage with.

<A – John Donahoe>: The Tokyo store, inventory is driven by consumer demand, digital demand…it's constantly changing based on what's moving, so it's a great example of a digitally connected future.

Andy Muir: Okay. Thank you. Operator, next question, please?

Operator: Your next question is from Omar Saad with Evercore ISI. Your line is open.

<Q – Omar Saad >: Thanks for taking my question. I'd be interested to hear you talk more; Category Offense has been such a strong initiative at the company for many years. I'd love to hear you talk more about the shift to Men's, Women's, Kid's. How does category offense fit into that? Maybe a little bit more the impetus behind that and what's the end result here? Is it higher revenue growth, better margins, more dynamic product lines? Thanks.

<A – John Donahoe>: Omar, the first thing I'd say is the Category Offense is working, right, and Triple Double makes complete sense and our growth drivers are spot-on. And they were working frankly when we came into the pandemic and the pandemic in many ways was a stress test for them, and it really proved that our current strategy is working. So what we are talking about here is, how do we take what might have taken us three to five years to make happen and make it happen in two and we think there's some pretty fundamental shifts in consumer behavior that give us this opportunity to accelerate our progress. One shift is digital, right? As I said a minute ago, digital is now fundamental and central to everything consumers do, and we are the clear leader in digital. We'll double down on that. The second I just talked about was the marketplace of the future, right? Where we believe we can drive towards one Nike marketplace with our own capabilities and those of our partners.

But third and directly to your question is, aligning our organization against a more simple construct of Men's, Women's and Kid's, but also ones that help us unlock what we think are great growth opportunities, right? Women's, Apparel, Kid's, and frankly, the emerging health and wellness of the opportunities, so this is not, to be crystal-clear, not abandoning the Consumer Direct Offense. This is accelerating it and refining it, so that we're more directly connected to the biggest opportunities, like Women's, great example is Women's. We have less than 10% of the Women's Apparel market in the US. Women's grew this quarter two times the rate of Men's, and this will allow us to align our organization and focus our resources more directly on that opportunity, as well as on others. And so we view there's an acceleration, and I think it will result in more directly connecting and building deep consumer relationships, which will result in higher growth, market share, and as Matt said in his remarks, we believe also this is also healthy for profitability.

<A – Matt Friend>: Yeah, and, Omar, I would just add that the Category Offense has enabled us to sharpen our focus on performance sport and the lifestyle of sport. And this shift is going to enable us to specialize and get deeper insights to the performance category and the lifestyle of sport category through the gender lens. And so, if you think about it from innovation to the way we create products and the way we bring it to market, we believe that this is an opportunity to move from insight to innovation and creating products specifically for the consumer and ensuring that we get it to market the way that we intended when we captured the insight and created the product, which we believe will accelerate growth against these big long-term opportunities.

Andy Muir: Next question, please?

Operator: Our next question is from Erinn Murphy with Piper Sandler. Your line is open.

<Q – Erinn Murphy>: Great. Thanks. And thanks for taking my question. I guess on new customer acquisition you talked about real strength in the quarter. I guess if you look across the suite of apps in your own .com, where did you see the highest uptick of new customers, maybe if you can share a little bit more about what you saw from that as well? And then how has that shaped your growth strategies around your app and just your broader digital ecosystem?

<A – John Donahoe>: Well, Erinn, this gets to membership and why we think memberships at the center of everything we do. And if you think about it, in simple terms, membership is a big word, but in my mind, it breaks down three simple things. Do we have a one-on-one relationship, an identified one-on-one relationship with a consumer? Can we increase our level of engagement with that consumer in value-added ways? And then does that increased engagement lead to greater retention and share of wallet if there are other purchases?

And in terms of acquiring new members in a quarter, we had a phenomenal quarter, 25 million new members registered, that's up over 100%. Half of those came from our activity apps, and half the new members were women, which is a very encouraging sign. And then those new members and our existing members were highly engaged, particularly around NIKE Training Club, NIKE Running Club, our SNKRS App, the stats are just – I think I listed a few in my remarks and Matt did, but NTC weekly active users which is a really important metric, because someone may only buy footwear and apparel a few times a year, but engaging with us each week maybe even each day brings NIKE into their lives. And so, we grew weekly active users triple digits in the quarter, 25 million workouts with women alone in Q4 and that which is a – and so we think the activity levels and the engagements growing. And then it's really clear that increased engagement leads to increased purchases, and so the NIKE Commerce App saw triple-digit growth in both downloads and monthly active buyers, as well as SNKRS app over $1 billion in first time use. And so directly connecting with consumers, engaging them with our powerful portfolio of activity apps, and then translating that into the kind of both digital and online and offline relationships where they purchase more is kind of core to the strategy that the one Nike marketplace if you will, is designed to address that direct need.

<Q – Erinn Murphy>: Great. Thank you.

Operator: Your next question is from Matthew Boss with JPMorgan. Your line is open.

<Q – Matthew Boss>: Great, thanks, and congratulations on the positive momentum. So maybe as we think about the acceleration of the Consumer Direct strategy that you outlined, how best larger picture to think about the impact on gross margin annually, as we think about 50 basis points a year prior, SG&A I think the prior target was slight leverage multiyear. Or maybe just said differently, is there any constraints hindering this overall acceleration being a relative acceleration of your mid-teens bottom line annual algorithm?

<A – Matt Friend>: Well, Matt, the way I would answer your question is that our long-term financial model has always been principled, and it starts with creating value for the consumer, which then translates into creating business value and ultimately value for the shareholders and our focus is on creating sustainable profitable long-term growth. As I mentioned in my prepared remarks, the shift to digital is financially accretive to NIKE, and we believe that this will be an enabler for us to sustain that momentum longer term. In the near-term or in any given period, obviously, we deal with foreign currency, we deal with anomalies that can have an impact on an interim period, but we're very confident in how this strategy will enable us to sustain that growth long-term.

What I would tell you, because you asked the question about investment. We've been – this quarter in particular was indicative of an opportunity for us where we managed SG&A very tightly, but we actually accelerated investment the way we needed to, to enable our employees to work from home, to enable digital demand, to do the things that we needed to do in order to be able to accommodate the environment in which we're operating. And as we look to the future while we will accelerate investment against the areas that I referenced, we also see equal opportunity for us to shift resources that sit in our P&L in legacy forms which we can redeploy against the future, and so that's going to be our focus as we look towards the future, we will be investing, but we're going to try to – we're going to accommodate it within the confines of our existing financial model.

<Q – Matthew Boss>: That's great to hear. Thanks.

Operator: Your next question comes from Bob Drbul from Guggenheim Securities. Your line is open.

<Q – Bob Drbul >: Hi, good afternoon. I guess I have a couple of questions on the inventory, and I think the plan to sort of have it right sized by the second quarter. Can you just talk through the major strategy that you have, the flexibility that you have to sort of utilize your outlets versus off-price versus the digital piece of it? Just walk us through some of the major initiatives in terms of getting back there on the supply and demand piece of this, please?

<A – Matt Friend>: Sure, Bob. As you know, NIKE has always tried to carefully manage supply and demand, and as a premium brand, we maintain our premium nature, because we try to optimize a full-price marketplace across our channels season after season after season. And so, when the pandemic hit, it became clear that there was

going to be excess inventory for a period of time, and we pulled many of the levers that we have at our disposal in order to be aggressive in addressing this issue.

And in particular, we said our first and primary principle was to get inventory clean in the marketplace as fast as we possibly can. And so, we now feel confident based upon the actions that we've taken that we will have inventory right-sized and clean by Q2 or in Q2, and in China, as I referenced, given they faced the pandemic a little bit earlier, they're going to clear and come out of the situation from an inventory perspective by the end of June. And so, we feel very good about the actions that we've taken. To your point, we are – the marketplace is more promotional. We have shifted more units of liquidation through our factory store fleet, because that's a brand-right way for us to liquidate our inventory at a higher profitability level, but we are also seeing some discounting that's happening across the marketplace, but our discounting is less than what we're seeing across the broader marketplace, and our strong brand and our consumer connection is causing us to liquidate and move through inventory faster than what we're seeing across the rest of the marketplace. And so through the first three weeks of June as I referenced, we feel like we're on track against this plan or we are on track against this plan and are confident that we're going to be positioned for the consumer and for the market in the second half of the year.

<Q – Bob Drbul >: Okay. And I guess just a quick follow-up is, with the NBA season looking to return, any early picks in terms of who you guys think will win the title in the back half?

<A – John Donahoe>: Bob, we are so happy that basketball is going to be back. We just want someone wearing a NIKE uniform to win. We feel pretty good about that prediction.

<Q – Bob Drbul >: Me too. Thanks very much.

Operator: Your next questions is from Jay Sole with UBS. Your line is open.

<Q – Jay Sole >: Great. Thanks so much. Matt, you talked about the shift of inventories to direct consumer and increase the digital capacity 3X to meet the demand to digital. Could you just talk a little bit more about that, like what that means? And going forward, is there any constraints that will – from a capacity perspective that will slow the company's growth to, you're getting the e-commerce to be 50% of the total business going forward?

<A – Matt Friend>: Sure, Jay. So I'm incredibly proud of our teams that work in our global operation and logistics, because they delivered no small feat in the quarter, increasing the amount of volume that we could ship by three times in North America and EMEA, without much of an increase in cost on a per-unit basis. And the reason why they could do that is, because our current distribution capabilities are omni-channel, which means we can ship to wholesale customers, our factory stores and to digital, and that enabled us to be agile in the moment to increase our demand – our digital demand fulfillment, sorry.

As we look forward, I mentioned that we're going to be investing in a new facility on the west coast of the US in order to be able to fulfill demand through holiday and we expect that we will continue to invest in regional service centers in order to be able to fulfill demand closer to the consumer, but we're also enabling Buy Online – we've also enabled buy online, pick up in store and ship-from-store from our stores which will also be a way that we fulfill demand closer to the consumer.

So, I guess a long way of saying that we feel confident that we can continue to meet this digital demand, and our team continues to be able to expand capacity without it compromising our cost per unit. In fact, they continue to do what they can to mitigate cost per unit and we believe it's a long-term opportunity for us as well.

<A – John Donahoe>: And I may just add a little bit of color on that. The week before last, I had a chance to go out and visit our teams in Memphis along with Andy Campion. By the way, Andy's not on the earnings call any more, but he's working fulltime as our COO on just what Matt was talking about, he has been doing a great job. And Andy and Venky and I went out and saw our teams in Memphis and got to see this ADAPT facility that Matt talked about.

It was initially constructed to serve wholesale but has now been completely redeployed to serve Direct-to-Consumer. And I think, Matt, you referenced the power of data, the power of that Celect acquisition where advanced analytics and data demand sensing capabilities can allow us to get the right product as close to the

consumer in the right time, which offers enormous efficiency opportunities, right? And by the way, that's a scale game, and that's going to allow us to build scale that others won't be able to match, and we want to share that scale with our wholesale partners and others as we embrace this. And so, it was really great to see that team and they've done a phenomenal job as their counter parts in Europe and in China.

Andy Muir>: Operator, I think we have time for one more question.

Operator: Our last question is from John Kernan with Cowen. Your line is open.

<Q – John Kernan >: Hey. Good afternoon, everybody. Thanks for taking my question and congrats on all the momentum. Hey, Matt, can you give a little more detail on the inventory obsolescence, the bad debt and fixed supply chain costs? What's the level that you faced in the fourth quarter, obviously pretty significant, how do we think about those line items in the first quarter as fiscal 21 evolves?

<A – Matt Friend>: Sure, John. Let me break it down for you a little bit. The first thing I would say is that year-to-date through the first three quarters of fiscal year 20, we delivered strong gross margin expansion, about 70 basis points excluding the impact of active FX and that was on the back of a really strong product portfolio, innovation and then ultimately our digital business.

In the fourth quarter, our Gross Margin was impacted by COVID-19 and the decision that we took to prioritize cleaning and rightsizing our inventory into Q2. And so, the plans that we aggressively put in place to rebalance supply and demand did have an impact on our margins in Q4, but let me break down the A20 for you, maybe a little bit more.

About 500 basis points of the impact was related to factory PO cancels, inventory obsolescence, as we were making decisions about the value of our inventory and our plans to liquidate it. And then the negative rate impact due to lower wholesale shipments on our supply chain costs. What that last point really means is that as our press release said, our wholesale shipments were down 50%, but because our costs are mostly fixed, you see a negative rate impact as a result of that. And so, as wholesale shipments start to pick up, you'll see less of an impact as you look towards the future.

And then we also had 70 basis points of FX headwind in the quarter. As we look ahead to next year, we do expect the market to remain promotional in the first half, and in Q4, we had about 250 basis points impact from – like promotional activities, across our own stores and our partners as we were investing to liquidate inventory across the marketplace.

As we look to the first half of next year, we expect that the marketplace will continue to be promotional as we and our partners are moving through this inventory to achieve our goal. But as I said in my prepared remarks, we expect to see sequential improvement relative to what we delivered in Q4 as we move quarter-by-quarter through the first half.

I think you also asked about bad debt, so bad debt fits in SG&A, it doesn't fit in margin, and it was $180 million in the quarter. I think that's really more reflective of the wholesale marketplace. And our risk assessment of some of our wholesale customers and the impact that this pandemic has had on their ability to pay NIKE for receivables that were owed. And so, if you connect the dots to what John said in terms of our strategic acceleration, we do believe that there's going to be consolidation and dislocation in wholesale distribution in North America and in EMEA, and that's why we're taking a measured approach to growth in those geos as we look forward to next year.

<A – John Donahoe>: And embracing the great wholesale partners that we think will be the real winners along with us and partnering as close as we can with them to build that marketplace of the future.

<Q – John Kernan >: That's excellent. Thank you. Excited to see the refinement of the Consumer Direct Offense. Best of luck.

<A – Matt Friend>: Thanks, John.

Andy Muir>: Thank you, John. So, thanks, everyone, for joining us today, and we look forward to speaking with you next quarter. Take care and stay safe.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and you may now disconnect.